



City of Charlotte Housing Trust Fund

- **General Conditions**
- **Loan and Grant Guidelines**

**City of Charlotte
Neighborhood & Business Services
600 East Trade Street
Charlotte, NC 28202-2859**

January 2016

General Conditions

Section I: Purpose

- 1.0 The City of Charlotte is now accepting proposals for Housing Development through the City's Housing Trust Fund to provide loan and grant funds for newly constructed or rehabilitated multi-family housing. Housing Trust Funds are funded through voter approved tax-exempt general obligation bond funds and other available City resources. Housing Trust Fund dollars are provided as gap financing and is used to finance housing for households earning 60% or below the area median income (AMI).

Section II: Instruction to Proposers

- 2.0 **Introduction:** Careful attention must be paid to all requested items contained in the Request for Proposal (RFP). Development Teams are invited to submit proposals in accordance with the requirements of the RFP documents. The entire set of documents constitutes the RFP. The development team must submit all information necessary to properly analyze the proposer's response. The City of Charlotte only accepts complete applications for review. Incomplete or partially completed applications will be returned to the applicant.
- 2.1 **Each Development Team Shall:** Comply with all federal, state, City and local statutes governing residential housing development.
- 2.2 **Proposal Review and Submission:** Proposals will be accepted in accordance with the instructions detailed in the Multi-Family Rental Submission Requirements checklist. Development Teams shall be responsible for the actual submission of proposals.
- 2.3 **Proposal Reservations:** The City reserves the right to reject any or all proposals, to award in whole or part and to waive minor immaterial defects in proposals.
- 2.4 **Liability:** The City is not responsible for any cost incurred by a development team in the preparation of the proposal.
- 2.5 **Changes/Alterations:** Development Teams may change or withdraw proposal at any time prior to proposal closing; however, no oral modifications will be allowed. Only formal written requests for modifications or corrections of a previously submitted proposal will be accepted by the City prior to the scheduled closing time for receipt of proposals.
- 2.6 **Clarification of Submittal:** The City reserves the right to obtain clarification of any point in a respondent submittal or to obtain additional information.

- 2.7 **Development Team Questions and Inquiries:** The City is committed to providing all prospective Development Teams with accurate and consistent information in order to ensure that no Development Team obtains an undue competitive advantage. All questions and inquiries must be directed as indicated below:

Proposal & Technical Questions:

Neighborhood & Business Services

600 East Trade Street

Charlotte, NC 28202

Attn: Zelleka Biermann

Neighborhood & Business Services

Tel: (704) 336- 2482

Fax: (704) 336-3489

E-mail: zbiermann@charlottenc.gov

- 2.8 **Use of Name:** The City is not engaged in research for advertising, sales promotion, or other purposes. No advertising, sales promotion or other public City materials containing information obtained from this proposal are to be mentioned, or imply the name of the City, without prior express written permission.
- 2.9 **Bribery and Lobby Clause:** By submission of a proposal response, the prospective Contractor certifies that no employee of theirs, any affiliate or subcontractor has bribed or lobbied, or attempted to bribe or lobby an officer or employee of the City.
- 2.10 **Agreement with Successful Development Team(s):** All statements contained in a proposal or made in writing during negotiation by the proposer shall constitute offers by the proposer for inclusion in the final agreement. The City may accept or reject such offers within a reasonable time after they are made.
- 2.11 **Proposal Evaluation:** Proposals will be evaluated based on the evaluation criteria found in the individual RFP documents.
- 2.12 **Award of Funding by City Council:** As soon as practicable after the review and selection process, the successful proposals will be submitted to the City Council for final approval of award. If approved by the City Council, the Neighborhood & Business Services Department will provide properly prepared agreements to the Development Team(s).
- 2.13 **Request For Proposal Deliverables:** All Proposers must submit the information required in the Section II-Submission Requirements of the Request for Proposal.
- 2.14 **Familiarity with Laws and Ordinances:** The Development Team will be in compliance with all applicable federal, state and/or local laws regarding employment practices. Such laws will include, but shall not be limited to workers' compensation, the Fair Labor Standards Act (FLSA), the Americans with Disabilities Act (ADA), the Family and

Medical Leave Act (FMLA) and all OSHA regulations governing residential development.

If the Development Team discovers any provisions in the RFP or supporting documents, which are contrary to or inconsistent with any law, ordinance or regulation, they shall immediately report it in writing to the Neighborhood & Business Services Department's Housing Services Manager

Fair Housing Compliance: The City is committed to ensuring the protection of fair housing rights for all citizens of Charlotte. This includes prohibition of discrimination in housing practices due to race, sex, religion, national origin, color, disability status and familial status (having custody of children 18 years of age and younger). As a condition of entering into an Agreement with the City, the proposer agrees to not violate the Charlotte Fair Housing Ordinance. Specific questions regarding compliance with the Charlotte Fair Housing Ordinance may be directed to the Charlotte-Mecklenburg Community Relations Committee for clarification.

- 2.15 **Taxes:** The Development Team shall be responsible for any applicable Federal, State and Local taxes, which may be chargeable against the performance of the work.
- 2.16 **Non-Discrimination Provision:** The City is committed to promoting equal opportunities for all and to eliminating prohibited discrimination in all forms. For purposes of this section, prohibited discrimination means discrimination in the solicitation, selection, and/or treatment of any subcontractor, vendor, supplier or commercial customer on the basis of race, ethnicity, gender, age, religion, national origin, disability or other unlawful form of discrimination. Without limiting the foregoing, prohibited discrimination also includes retaliating against any person, business or other entity for reporting any incident of prohibited discrimination. It is understood and agreed that not only is prohibited discrimination improper for legal and moral reasons, prohibited discrimination is also an anti-competitive practice that tends to increase the cost of goods and services to the City and others. As a condition of entering into an Agreement, the proposer must represent, warrant and agree that it does not and will not engage in or condone prohibited discrimination. Without limiting any rights the City may have at law or under any other provision of an Agreement, it is understood and agreed that a violation of this provision constitutes grounds for the City to terminate its Agreement with the Proposer.

As a condition of entering into an Agreement, the Proposer further agrees to: (a) promptly provide to the City all information and documentation that may be requested by the City from time to time regarding the solicitation and selection of subcontractors; and (b) provide to the City within 60 days after completion of performance under an Agreement a Final Payment Affidavit in the form that will be attached to an Agreement as an Exhibit. Failure to maintain or failure to provide such information would constitute grounds for the City to terminate or withhold payment under an Agreement.

- 2.17 **Independent Contractor Status:** The Development Team and the City agree that the Development Team is an independent contractor and not an employee or agent of the City. The Development Team shall have exclusive control of and the exclusive right to control the details of the services and work performed are under and all persons

performing the same and nothing herein shall be construed as creating a partnership, agency, joint venture or other similar relationship between the City and Contractor.

The Development Team agrees that it will not represent to anyone that its relationship with the City is other than that of an independent contractor, and the City and the Development Team may so inform any parties with whom they deal and may take any other responsible steps to carry out the intent of this section. The Development Team shall be fully and solely responsible for its own acts and omissions and those of its employees, officers, agents and subcontractors.

2.18 **Drug-Free Workplace:** The City of Charlotte is a drug-free workplace employer. The City has adopted a policy requiring its contractors to provide a drug-free workplace during the performance of any City contract. In order to be eligible for funding under the Housing Trust Fund, a prospective Development Team must certify that it will, if awarded funding, provide a drug-free workplace during the term of the funding agreement. This requirement is met by:

- (a) notifying employees that the unlawful manufacture, distribution, dispensation, possession, or use of a controlled substance is prohibited in the workplace and specifying the actions that will be taken for violations of such prohibition;
- (b) establishing a drug-free awareness program to inform employees about (i) the dangers of drug abuse in the workplace, (ii) the contractor's policy of maintaining a drug-free workplace, (iii) any available drug counseling, rehabilitation, and employee assistance programs, and (iv) the penalties that may be imposed upon employees for drug abuse violations;
- (c) notifying each employee that as a condition of employment, the employee will (i) abide by the terms of the prohibition outlined in (a) above, and (ii) notify the contractor of any criminal drug statute conviction for a violation occurring in the workplace not later than five days after such conviction;
- (d) imposing a sanction on, or requiring the satisfactory participation in a drug counseling, rehabilitation or abuse program by, and employee convicted of drug crime;
- (e) making a good faith effort to continue to maintain a drug-free workplace for employees; and
- (f) requiring any party to which it subcontracts any portion of the work under the contract to comply with the provisions of (a) - (f).

If the prospective Development Team is an individual, the drug-free workplace requirement is met by not engaging in the unlawful manufacture, distribution, dispensation, possession, or use of a controlled substance in the performance of the contract.

2.18 E-Verify: As a condition for payment under this Contract, Company shall: (i) comply with the E-Verify requirements set forth in Article 2 of Chapter 64 of the North Carolina General Statutes (the “E-Verify Requirements”); and (ii) cause each subcontractor under this Contract to comply with such E-Verify Requirements as well. Company will indemnify and save harmless the City from all losses, damages, costs, expenses (including reasonable attorneys’ fees), obligations, duties, fines, penalties, interest charges and other liabilities (including settlement amounts) incurred on account of any failure by Company or any subcontractor to comply with the E-Verify Requirements.

2.19 Definitions

2.19.1 Minority Business Enterprise (MBE): Refers to a Business Enterprise that: (a) is certified by the State of North Carolina as a Historically Underutilized Business (HUB) within the meaning of N.C. Gen. Stat. 143-128.4; (b) is at least fifty-one percent (51%) owned by one or more persons who are members of one of the following groups: African American or Black, Hispanic, Asian, Native American or American Indian; and (c) is headquartered in the Charlotte Combined Statistical Area.

2.19.2 Small Business Enterprise (SBE): Refers to a Business Enterprise that is certified by the City of Charlotte under Part E of the CBI Policy as meeting all of the requirements for SBE certification

2.19.3 Women Business Enterprise (WBE): Refers to a Business Enterprise that: (a) is certified by the State of North Carolina as a Historically Underutilized Business (HUB) within the meaning of N.C. Gen. Stat. 143-128.4; (b) is at least fifty-one percent (51%) owned by one or more persons who are female; and (c) is headquartered in the Charlotte Combined Statistical Area.

2.19.4 Charlotte Combined Statistical Area (CSA): Refers to the Charlotte-Gastonia-Salisbury Combined Statistical Area in effect as of April 8, 2013 consisting of; (a) the North Carolina counties of Anson, Cabarrus, Cleveland, Gaston, Iredell, Lincoln, Mecklenburg, Rowan, Stanly, and Union; and (b) the South Carolina counties of Chester, Lancaster, and York. This is one criteria used by Charlotte Business INClusion to determine eligibility to participate in the program.

2.19.5 MWSBE: Refers to SBEs, MBEs and WBEs as a collective. In some context it means all SBEs, MBEs, and WBEs, and in other contexts it means one or more categories of SBEs, MBEs, or WBEs.

2.19.6 MWSBE Goal: The term MWSBE Goal depends on the context. If a Contract has

separate Subcontracting Goals, MBEs, WBEs, and/or SBEs, the term MWSBE is a shorthand way to refer collectively to all MBE, WBE, and SBE Goals set for the Contract. In some instances, the City may set one combined goal for MBEs, WBEs, and/or SBEs on a Contract, in which event the term MWSBE Goal refers to that one, combined goal. In the latter instance, calculated as a percentage, the MBE, SBE and WBE Goal represents the total dollars spent with MBEs, SBEs and WBEs as a portion of the total Bid or Proposal amount, including any contingency.

2.19.7 Subcontracting Goals: Refers to the SBE, MBE, WBE, and MWSBE Goals established by the City for a Contract.

City of Charlotte Business INclusion Program (CBI):

Pursuant to Charlotte City Council's adoption of the Charlotte Business INclusion (CBI) Policy, the Charlotte Business INclusion program promotes diversity, inclusion, and local business opportunities in the City's contracting and procurement process for Minority, Women, and Small Business Enterprises (MWSBEs) headquartered in the Charlotte Combined Statistical Area (CSA). The CBI Policy is posted at: www.charlottebusinessinclusion.com.

The City of Charlotte is committed to promoting opportunities for maximum participation of certified MWSBEs on City funded contracts at both the Prime and Subcontract level. For MWSBE participation to count towards a Goal, MWSBEs must meet both the certification and geographic requirements as detailed throughout this solicitation and in the CBI Policy.

Information for Developers

- Access the MWSBE vendor list at www.charlottebusinessinclusion.com
- Read the CBI policy online at www.charlottebusinessinclusion.com
- Utilize CBI staff to become familiar with all pertinent forms and templates
- Attend all pre-bid meetings to ask questions and become familiar with the City's CBI policy
- Attend CBI Orientation Sessions
- Visit the Neighborhood & Business Services page view the latest HTF Request for Proposal opportunities

Housing Trust Fund MWSBE Requirements:

Through the Housing Trust Fund (HTF) the City of Charlotte provides assistance through making financial resources available in the form of low-interest loans and grants to preserve existing housing and develop new housing. Because HTF investments are viewed as significant opportunities for public investment, the borrower (Development Team) is subject to meet MWSBE requirements to ensure that the City continues its commitment to enhance opportunities for MWSBEs to participate in contracts with a public interest.

The Development Team must demonstrate the belief that there are many benefits when doing business with MWSBEs by purchasing professional and construction-related services, labor, supplies and materials from MWSBEs. The Development Team understands that they can participate in strengthening the economic foundation of our local communities by working with the Charlotte Business INClusion (CBI) Program.

The Development Team agrees to develop goals with the City:

- Upon award, meet with City representatives to establish subcontracting goals based upon opportunity of defined scopes and availability of MWSBEs.
- To meet at least the minimum diversity goals established by the City of Charlotte, by striving to achieve the designated MWSBE goal based on the HTF funding amount.
- To be recognized by outside entities as a developer that is both accommodating to the MWSBEs and fair in the administration of its programs.
- To achieve diversity within its MWSBE participation by including the various minority groups that makes up our community.

Charlotte Business INClusion Program Contact Information:

City of Charlotte

Management and Financial Services

Contact Maria Miles at mmiles@charlottenc.gov or call 704-353-0482

<http://charmeck.org/city/charlotte/CharlotteBusinessInclusion/Pages/default.aspx>

Loan and Grant Guidelines For Housing Development

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City of Charlotte

Housing Development Loans and Grants

SECTION I: PROGRAM GOALS AND GENERAL REQUIREMENTS

The City of Charlotte is committed to improving Charlotte's neighborhoods and the lives of the people who live in them. One method of improving neighborhoods and the lives of families is making sure safe, decent and affordable housing is available for low and moderate-income households. The City provides assistance through making financial resources available to affordable housing developers in the form of low interest loans and grants to preserve existing housing and develop new housing.

A. Goals:

The City of Charlotte's Housing Policy embraces the following national goals established by the United States. Department of Housing and Urban Development:

- Provide decent and affordable housing
- Provide suitable living environment; and
- Expand economic opportunities to benefit low and moderate-income households.

The City of Charlotte housing policy supports the need for safe and decent housing for low and moderate-income households and identifies the following local goals:

- Preserves the existing housing stock;
- Expand the supply of low and moderate-income housing; and
- Support family self-sufficiency initiatives.

The City of Charlotte provides loans or grants to further its mission of revitalizing communities and the de-concentration of poverty in the Charlotte community.

B. General Principles:

The Housing Trust Fund provides funding for rental and homeownership new construction and rehabilitation, innovative homeownership and special needs housing for primarily low and moderate-income housing consisting of five or more housing units.

1. This program is directed primarily toward rental housing developments serving in whole or part households earning 60% or below the area median income (AMI) for homeownership developments, the target housing development must primarily serve households earning 80% or below the area median income. Housing developments having a mixture of incomes are encouraged.
2. The City considers the following when evaluating loans/grants as part of its lending policy:
 - Public purpose (but for the City investment, the project would not be feasible for the targeted income group);
 - Ability of the development to achieve City Council's policies and goals;

- Financial feasibility;
 - Development Team's credit, capability and experience;
 - Number of affordable housing units; and
 - Community impact.
3. The City will maintain the affordability for units through the use of deed restrictions. The minimum length of the affordability period will be based on the City's financing per unit.
 4. The affordable units within a mixed income development must be equal in square footage and comparable with the market rate units.
 5. Housing developments must comply with the City's zoning, land development and other housing policies. Key housing policies that developments must adhere to are the City's Multi-Family Housing Locational Policy and the Assisted Multi-Family Housing At Transit Station Area Policy. (Developments with more than 24 units must adhere to the Multi-Family Housing Locational Policy.)
 6. The City of Charlotte only accepts complete applications for review. Incomplete or partially completed applications will be returned to the applicant.

Eligible rehabilitation includes activities that are major in scope including but not limited to: structural, mechanical and electrical repairs, roof, windows, doors and work required when it has been determined that the useful life is five years or less and projects where rehabilitation is needed to make the units habitable. Repairs such as painting, replacing floor covering, and trim work are only eligible when they are part of a larger project.

The following criteria are applicable to applications for rehabilitation:

- Housing units must have been placed in service on or before December 31, 1997
 - Require Rehabilitation expense in excess of \$15,000 per unit
 - Acquisition cost may not exceed 60% of the total replacement costs
 - Property owner must not have begun or completed a full debt restructuring under the Market to Market process (or any similar HUD program) within last five years.
 - Property should not have deteriorated to the point of requiring demolition
7. The City of Charlotte reserves the right to adjust its loan/grant policies and guidelines as needed to address changing market demands and the priorities of the City.

C. Types of Loan/Grants:

The City will support new construction and rehabilitation of rental units of the following types:

- Multi-Family Construction*
- Supportive Housing (Special Needs Housing i.e. elderly, disabled)*

* Includes associated costs for on-site infrastructure and acquisition.

D. Loan/Grant Approval Authorities:

The City has the following loan/grant approval processes:

<u>Loan/Grant Request Amount</u>	<u>Approving Authority</u>
\$0 to \$50,000	Neighborhood & Business Services Director
\$51,000 to \$99,999	City Manager
\$100,000 and above	City Council

Note: Various sources of funds used by the City may carry additional restrictions and requirements.

E. City Council's Approval Process:

City Council approval is obtained at Council meetings. Loan/Grant requests will not be brought before the Charlotte City Council until the following has occurred:

- Developers inform Council district representatives and convene at least one meeting to address questions about the proposed development
- The City has received a complete loan request package;
- City staff has reviewed the request; *
- The Neighborhood & Business Services Director has reviewed the request; and
- The loan request has been presented at a City Council Dinner Briefing and/or reviewed by a City Council Committee.

**Note: The City staff review may include preliminary review by the Charlotte-Mecklenburg Planning and Police Departments.*

SECTION II: LOAN/GRANT ELIGIBILITY CRITERIA

A. Eligible Borrowers

The City's loan/grant programs are developed to serve non-profit and for-profit development entities.

B. Income Group Targets

This program serves both rental and homeownership households. Eligible rental households must earn 60% or below the AMI. Rental housing developments serving a mixture of incomes will be given priority.

SECTION III: LOAN/GRANT GENERAL CONDITIONS

A. Loan/Grant Amount

Loan/Grant amounts may vary based on the following:

- Number of housing units being developed,
- Leverage ratio of the project, and
- Available City housing development funds.

The City will also consider the needs of the project, the experience of the borrower and any associated risk in the project. To achieve leverage ratio targets, the City will typically fund up to *a maximum of fifty percent (50%) of the eligible unit per square foot cost* for housing development. The City reserves the right to adjust the maximum loan amount to any borrower on an exception basis

Note: The source of funds may impose additional restrictions on the borrower.

B. Interest Rates, Financing Terms and Repayment Structure

The following are *general guidelines*; the City reserves the right to adjust financing on a case-by-case basis based on changes in conventional lending and other financing sources.

The City's financing is generally soft "gap" financing. To allow for future investment in affordable housing, the City seeks to achieve a reasonable return of capital and where possible a return on investment based on the economics of each proposal. The City allows flexibility for creativity by development teams by establishing loan terms based on the economics of each proposal.

- Loans may range from 20 year, deferred at 0% interest to 20 year, amortizing at the Long Term Applicable Federal Rate (AFR) based on economic analysis of the project.
- The primary tool used to perform the economic analysis is the Debt Coverage Ratio (DCR). Projects with a DCR greater than or equal to 1.25 will be considered for a fully amortizing loan with a corresponding rate that either achieves a DCR of 1.15 or the maximum Long Term AFR.
 - Projects that have a DCR of less than 1.25 will be considered for interest only loans. The interest rate will be set at a percentage rate that will achieve a DCR of 1.15.
 - Projects that are submitted at a DCR of 1.15 will be considered for a deferred cash flow loan.

- Grants are considered when a project serves a substantially underserved population.
- A project with a DCR greater than 2.0, after the application of a fully amortizing loan at the Long Term AFR will be considered over subsidized. The funding request will be reduced to achieve a DCR of 1.75. This may result in the funding request being reduced to zero. Projects of this nature are candidates for private financing.

C. Collateral

The City prefers to take or share a first lien position on assets financed with its loan proceeds. The City will accept a second or third lien position (subject to the amount of the loan funds financed by the City).

SECTION IV: LOAN/GRANT UNDERWRITING CRITERIA

The following minimum financial underwriting criteria applies to all projects

A. Rental Housing Development

Projects for City funding are considered based on a competitive basis. City staff will analyze the loan/grant requests based upon the following:

Project Feasibility

Revenue Stability and Reliability – may include project-based assistance, below-market rent (e.g. tax credit multi-family projects).

Operating and Financial Risk – as indicated by the debt service coverage and break-even occupancy. The City seeks projects with a desirable debt service coverage ratio of *at least 1:15 for the term of any debt financing*. In addition the City seeks projects with a desirable break-even occupancy that is lower than 85%.

Debt Service Coverage	Break-Even Occupancy	Risk
Greater than 1.30	Less than 70%	Low
1.10 to 1.30	70% to 85%	Medium
Less than 1.10	Greater than 85%	High

The City may consider project submissions outside of the operating and financial risk guidelines as stated above. Consideration however will be given based on the number of affordable units, income limits served, projects ability to meet the City's goals and the overall viability of the project. A debt service coverage ratio as low as 1.10 will be considered for projects with at least 20% of the units serving households earning 40% and below AMI. A fixed interest rate is encouraged for other project debts; however a maximum interest rate must be applied for variable rates.

Property Management – ensures a successful multi-family project. The track record of the property manager includes; low collection loss, low vacancy rate compared to similar projects, operating within budget, development and implementation of a maintenance program, and establishment of operating policies and procedures. The property manager should have familiarity with the various funding sources for housing development and rental subsidies. Additionally, the City has established the following property management guidelines as part of its Multi-Family Housing Locational Policy:

Assisted multi-family housing developments over 25 units must have an on-site office and provide management personnel as outlined below:

<u>Size of Development</u>	<u>Minimum Requirements</u>
25 - 50 units	20 hours per week
51 - 75 units	30 - 40 hours per week
76 - 100 units	40 hours per week with on-site Resident employee or 80 hours per Week *

* *Includes a combination of resident office staff, maintenance staff and supportive services staff. Supportive services staff must be employees of the development's owner or management.*

On-Site Supportive Services – Case Management

Permanent /SRO: A ratio of 1 case manager per 15 residents

Project Reserves – project and/or replacement reserves funded from the development budget or deducted monthly from cash flow are indicators of the sustainability of the project. The City has the following guidelines regarding replacement reserves:

- New Construction Minimum-\$250 per unit (per year)
 - Rehabilitation Minimum \$350 per unit (per year)
- The replacement reserves must be capitalized from the project's operations. An annual increase of 4% is acceptable.

Market and other External Factors – A market feasibility analysis report is required as part of the submission. The market analysis at a minimum should include:

- *Location and Neighborhood Information* (project description, neighborhood characteristics, shopping, school, etc.);
- *Socio-Economic and Demographic Development* (economic context, growth trends, demographic and income characteristics),
- *Competitive Analysis* (housing stock for the area, rental and for-sale markets, proposed developments). The report should also detail findings and a conclusion and address project feasibility, an analysis of affordability, and the demand and estimated absorption. Market studies prepared by the North Carolina Housing Finance Agency that meet City requirements will be accepted.

Repayment Plan – must be demonstrated by project pro-forma, cash flow statements, and development budget and project timeline.

Loan Underwriting Minimum Standards – based on current market conditions:

- Vacancy rate – 7%
- Annual rent increase – 2%
- Annual operating expense and replacement reserve annual increase – 3%
- Operating expenses (*new construction*) – \$2,800 to \$3,600 per unit per year, not including taxes, reserves and residential support services.
- Operating expenses (*rehabilitation*) – \$3,000 to \$4,200 per unit per year, not including taxes, reserves and residential support services.

Rent-Up Reserves – should not be less than \$300 per unit. These funds should be available to the management agent to pay rent-up expenses incurred in excess of budgeted rent-up expenses in the project development costs. The funds are to be deposited in a separate bank account and evidence of such transaction provided to the City 90 days prior to the date the project is expected to be placed in service. All funds remaining in the rent-up reserve at the time the project reaches 90% occupancy must be transferred to the project operating reserve account.

Operating Reserve – will be based on six months debt service and operating expenses, and must be maintained for one full calendar year starting at the point that the 1:15 debt service coverage ratio is achieved (or as low as 1:10 for projects in which at least 20% of the units serve households earning 40% and below AMI). The City must approve any withdrawals from the operating reserves account to meet the project's operating deficits that exceed \$2,000 in aggregate during any three-month period. Withdrawals from the operating reserve account must be replaced in order to maintain the initial required funds as reflected in the City's loan agreement.

Developer Fees – can be loaned to a project to cover a gap. Repayment projections for loans must not negatively impact the operations of the project. If applicable, a resolution from the Board of Directors allowing such a loan to the project must be provided. The desired developer's fees shall be a maximum of 15%.

Project Contingency Funding – new construction projects should have a hard cost contingency line item of at least 5% of the total hard costs (including general requirements, builder profit and overhead). Rehabilitation projects should have a hard cost contingency line item of at least 10% of the total hard costs.

Architect's Fees – The architects' fees, including design and inspection fees, shall be limited to three percent (3%) of the total hard costs plus general requirements, overhead, profit and construction contingency.

B. For Multi-Family Housing Developments

1. Proposed Collateral

The ratio of loan amount to the appraised value (LTV) – including the lien position and soft costs – is used as a guideline for risk rating as noted below:

LTV	Risk
Less than 70%	Low
70% to 85%	Medium
Greater than 85%	High

2. Borrower Qualifications

The Development Team must demonstrate that the project can be developed within the proposed market. This is evidenced by:

- The Development Team's track record, including whether the team has successfully completed and/or operated a similar type project or a project of similar scope and size.
- **Development Team Capacity** - An experienced development team improves the likelihood of a successful project. Development team members could include; developer, project manager, engineer, architect, property manager, development consultant, land planner, accountant, attorney and marketing agent. The experience and capacity of the development team should be consistent with the size of the development.
- The Development Team's credit report/history and performance history with the City of Charlotte. If the borrower has outstanding projects with the City of Charlotte, a detailed list of projects and their status should be provided.
- Financial statements prepared by an accountant for the current year and previous year
- Operating Reserves – sufficient financial capacity to provide stability for the organization in the event of unanticipated adverse developments.
- Management Capacity/Experience including the following:–
 - Experienced key personnel (an experienced staff improves the likelihood of a successful project)
 - Management structure and decision-making.
 - Board of Director – project risk is reduced when the borrower's Board is actively involved and able to understand and contribute to the project's successful development and operation. Expertise in related professional disciplines such as real estate, business, law, urban planning, and architecture are considered valuable.

- Property management experience – number of units managed; years of experience; and the number of affordable units managed. (Addresses and site contact persons should be provided to allow for site visits.)
- Diversity inclusion efforts and successes in the last five (5) years.

SECTION V: LOAN/GRANT CLOSING PROCEDURES

A. Financing Commitment Letter

Upon final loan/grant approval, the City of Charlotte will prepare a written loan commitment. The funding commitment letter will specify the following:

- Interest rate of the loan (if applicable)
- Frequency of payments
- Amount of each payment
- Term to maturity and amortization schedule
- Collateral to be secured (and lien position)
- Total loan amount
- Use of loan proceeds
- Insurance requirements
- Reporting requirements
- Period of affordability
- Special conditions (project schedule)
- Expiration date of the loan commitment
- Projected draw schedule
- Construction start date
- Required reserves, (project, rent-up and operating reserves)

The Development Team must countersign the commitment letter – to affirm agreement with the terms and conditions offered. The commitment letter must be executed and received by the City within 60 days of the date of the commitment letter. Once the commitment is signed the City will prepare for loan closing. The funding commitment expires as specified within the commitment letter.

B. Requests for Extensions

The loan commitment expiration date may be extended with a formal written request. Extension request letters must be submitted to City Staff within thirty (30) days of the commitment letter expiration date. The letter should include the reason for the extension and a revised project schedule. Subject to approval a six month extension may be granted.

C. Loan Documents

Upon receipt of a signed commitment letter from the borrower, the City's legal counsel will prepare the loan documents, which may include the following for loans that will be secured by real property:

- Loan agreement
- Deed of Trust
- A Promissory Note
- Security agreement
- UCC-1 financing requirement

It is the expectation of the City that the financial projections (proformas) submitted by the Developer/Development Team to the City will not be substantially different than the proforma submitted to other funding sources. Should this occur, the City reserves the right to deem the action as a default. In the event of default the City reserves the right to adjust the financing based on the changes in the proforma or cancel its funding commitment for the project. The City also reserves the right to request funding applications from the other funding sources.

SECTION VI: REPORTING AND MONITORING

A. Reporting

The Development Teams are required by the loan/grant agreement to submit, at the City of Charlotte's discretion, quarterly and/or annual reports in a format determined by the City. The Development Teams must provide the following during the term of the loan/grant:

- Payment as stipulated in the loan agreement;
- Copy of the annual audit conducted by an independent audit firm within 120 days of the end of its fiscal year end;
- Insurance certificate in which the City of Charlotte is the named insured;
- Any material change in governance or management;
- Any other debt or borrowing, for this project or any project;
- Any change or loss in property and casualty insurance; and
- Any pending legal action and their assessment of the impact of such action.

B. Monitoring

The City will provide inspections of developments in its loan/grant portfolio during the period of affordability. The review will include the following:

- Verification of compliance with the loan/grant conditions;
- Review (inspection) of property secured by the loan/grant (including photographs);
- Evaluation of tenants' files to ensure compliance. The review will include income, leases, rents, units, etc.; and

- Review of borrower's audited financial statements and the financial performance of the project.

To verify compliance with property standards and the information submitted on tenants' incomes, rents and other rental requirements during the project's period of affordability, the City will conduct on-site inspections based on the number of funded units.

The inspection schedule is as follows:

Number of City Funded Units Per Project	Inspection Required
1 – 25	Every 2 Years
26 or more units	Annually

The owner should keep the following records:

- Project records should include documentation to back-up rent and utility allowance calculations. Tenant files should include documentation necessary to demonstrate that an income-eligible tenant properly occupies each City funded unit. Documentation should also include the tenant's application, initial income verification documents, subsequent income recertification documents and the tenant's lease.

C. Periods of Affordability

For homeownership and rental developments, the affordability period depends on the amount of City investment in the property and the nature of the funded activity. Developments exceeding the affordability standards will be given additional consideration. The table below provides the minimum affordability periods.

Activity	Average Per Unit Investment	Minimum Affordability Period
Rehabilitation or Acquisition of Existing Housing	<\$15,000 \$15,000 - \$40,000 > \$40,000	5 years 10 years 15 years
Refinance of Rehabilitation Project	Any dollar amount	15 years
New Construction or Acquisition of New Housing	Any dollar amount	20 years

SECTION VII: APPENDICES

A. Housing Locational Policy

B. Housing Locational Map